

Message Text

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PAGE 01 CAIRO 15120 121819Z
ACTION NEA-10

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FM AMEMBASSY CAIRO
TO SECSTATE WASHDC 9326
INFO AMCONSUL ALEXANDRIA
AMEMBASSY DAMASCUS

C O N F I D E N T I A L CAIRO 15120

E.O. 11652: GDS
TAGS: EINV ETRD EG
SUBJ: MEETINGS BETWEEN FORD REPS AND GOE OFFICIALS

SUMMARY. FORD REPS BELIEVE THEY MADE IMPORTANT PROGRESS IN
NEGOTIATIONS WITH GOE DURING THEIR VISIT TO EGYPT; HOWEVER, CONTRARY
TO EARLIER HOPES, JOINT VENTURE AGREEMENT WAS NOT SIGNED.
CONTINUED OPPOSITION OF MININDUSTRY SHAHIN WAS APPARENT, BUT
SHAHIN SEEMS NOW TO BE CONSTRAINED AND FORD GROUP IS ENCOURAGED
BY HAVING HAD FIRST DETAILED DISCUSSION OF SPECIFICS OF
PROJECT WITH KAISOUNI AND ECONOMIC GROUP MINISTERS.
FORD REPS INDICATE GOE HAS ACCEPTED NECESSITY FOR 20 PERCENT
RETURN ON EQUITY. TECHNICAL TEAMS FROM BOTH SIDES WILL MEET IN CAIRO
SEPTEMBER 24/25 FOR FURTHER DISCUSSIONS TO
FIT PRECISE DEGREE OF TARIFF PROTECTION. FORD GROUP HOPES TO BE
ABLE SIGN FINAL AGREEMENT WITH KAISOUNI DURING HIS LATE SEPTEMBER
EARLY OCTOBER VISIT TO US. END SUMMARY.

2. AFTER INITIAL SESSION WITH AMBASSADOR MORNING OF SEPTEMBER 10,
FORD REPS WILLIAMS, FREDERICKS, AND OUROUSSOFF, TOGETHER WITH
COMPANY LAWYER, HAD THEIR FIRST MEETING OF CURRENT VISIT WITH
GOE OFFICIALS FOR DISCUSSION OF PROJECT. GOE SIDE CONSISTED
CONFIDENTIAL

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PAGE 02 CAIRO 15120 121819Z

OF EL NAZER OF INVESTMENT AUTHORITY, NASCAR CHAIRMAN GAZARIN, AND
IBRAHIM SHARKASS, DEPUTY CHAIRMAN OF GENERAL ORGANIZATION FOR
INDUSTRIALIZATION. GOE OFFICIALS, ACCORDING
FORD, DEMONSTRATED DESIRE TO RESOLVE PROBLEMS AND REACH SUCCESSFUL
CONCLUSION. IN COURSE OF MEETING, GOE
REPS ACCEPTED NECESSITY OF HAVING JOINT VENTURE EARN 20 PERCENT FOR

TARIFF PROTECTION REQUIRED COULD BE ESTABLISHED AT MEETING OF EXPETS FROM TWO SIDES TO BE HELD SEPTEMBER 24/25.

3. KAISOUNI HAD INVITED FORD GROUP AND GOE MINISTERS INVOLVED IN PROJECT TO WORKING DINNER EVENING OF SEPTEMBER 10. FORD REPS REDRAFTED MEMORANDUM OF UNDERSTANDING THEY HAD BROUGHT FROM DETROIT, AMENDING IT TO ACCORD WITH DISCUSSIONS HELD THAT MORNING WITH GOE OFFICIALS. DOCUMENT WAS PRESENTED TO EGYPTIANS AND FORMED BASIS OF DISCUSSION OF PROJECT AT DINNER MEETING.

4. IN CALL ON AMBASSADOR EVENING OF SEPTEMBER 11, FORD REPS DESCRIBED DINNER AS A "CONFRONTATION" WITH MININDUSTRY SHAHINE, WHO VIGOROUSLY AND AT TIME RUDELY WENT THROUGH ALL ASPECTS OF PROJECT, OPPOSING AND OBJECTING TO ALMOST EVERY POINT. KAISOUNI BORE WITH HIM, AND LET SHAHIN CONTINUE TIRADE WITH ONLY BRIEF INTERJECTIONS. FORD REPS FELT KAISOUNI AND OTHERS WERE PERMITTING SHAHIN TO "HAVE HIS HEAD" SO HE COULD NOT COMPLAIN THAT HE HAD BEEN DENIED FULL OPPORTUNITY TO BE HEARD. HE WAS BEING ALLOWED IN EFFECT TO "PUT ON A SHOW", AFTER WHICH MORE REASONABLE VIEWS COULD MAKE THEMSELVES FELT. USAID DIRECTOR, WHO ATTENDED DINNER, HAD ESSENTIALLY SAME VIEW OF WHAT WAS OCCURRING IN THE END, AFTER SHAHIN'S OBJECTIONS WERE PRESENTED, THERE APPEARED BE GENERAL AGREEMENT ON POINT, ESTABLISHED DURING MORNING MEETING, THAT JOINT VENTURE SHOULD EARN 20 PERCENT RETURN ON EQUITY AND THAT DECISION ON PRECISE LEVEL OF TARIFF
CONFIDENTIAL

CONFIDENTIAL

PAGE 03 CAIRO 15120 121819Z

WOULD BE DEFERRED PENDING LATER MEETING OF EXPETS.

5. ON SUNDAY, SEPTEMBER 11, WILLIAMS HAD PRIVATE EARLY MORNING MEETING WITH SHAHIN AT WHICH LATTER WAS MORE SUBDUED THAN ON PREVIOUS EVENING. WILLIAMS IMPRESSED UPON MINISTER THAT FORD WOULD NOT PROCEED WITH PROJECT IF IT WERE NOT CONCEIVED ON A SOUND FINANCIAL BASIS.

LATER SAME DAY, FORD GROUP MET WITH KAISOUNI AND ECONOMIC GROUP MINISTERS (SHAHIN NOT PRESENT). WILLIAMS SAID SESSION WAS A USEFUL AND PRODUCTIVE ONE, AND WAS FIRST OPPORTUNITY FORD HAD HAD FOR DETAILED AND SUBSTANTIVE DISCUSSION OF ISSUES WITH KAISOUNI AND HIS MINISTERS.

6. FORD REPS SAID THAT AMONG POINTS KAISOUNI MADE AT MEETING WAS THAT GOE WANTS 40 PERCENT (RATHER THAN PREVIOUSLY-DISCUSSED 33 1/3 PERCENT) OF JOINT VENTURES EQUITY. IN ADDITION, GOE WANTS EITHER AN EQUITY SHARE IN OR A COMMISSION ON SALES OF THE MARKETING COMPANY FORD HAD AGREED ESTABLISH HERE--

IN ADDITION TO COLLECTING TAXES
(AT 40PERCENT RATE) ON MARKETING COMPANY'S PROFITS. WILLIAMS SAID

HE MADE NO DEFINITIVE REPLY TO KAISOONI, BUT INDICATED TO HIM THAT FORD WANTS TIME TO CONSIDER THESE PROPOSALS. WILLIAMS LATER TOLD US THAT HE SEES NO PROBLEM WITH 40 PERCENT EQUITY SHARE IN JOINT VENTURE, BUT IS COOL TO IDEA OF GOE EQUITY IN OR COMMISSION FROM THE MARKETING COMPANY.

7. DURING MEETING, KAISOONI ET AL REITERATED GOE'S ACCEPTANCE OF PRINCIPLE OF 20 PERCENT RETURN FOR JOINT VENTURE. APPARENTLY ACCEPTED TOO WAS IDEA PUT FORWARD BY FORD THAT TARIFF STRUCTURE SHOULD BE SUCH AS TO CAREATE A MARGIN OF ABOUT 10 PERCENT BETWEEN PRICE OF JOINT VENTURE'S TRUCKS AND THAT OF COMPARABLE FOREIGN IMPORTS. IT WAS AGREED THAT IF CIRUCUMSTANCES PERMITTED, FOLLOWING SEPTEMBER 24/25 MEETING OF EXPERTS, A "FINAL" AGREEMENT WOULD BE SIGNED DURING LATE SEPTEMBER/EARLY OCTOBER VISIT BY QAYSUNI TO US. CONFIDENTIAL

CONFIDENTIAL

PAGE 04 CAIRO 15120 121819Z

8. FORD GROUP ALSO MET WITH PRIMIN. WILLIAMS DESCRIBED MEETING AS "PERFUNCTORY", BUT SAID PM EMPHASIZED THEMES OF 40PERCENT SHARE OF JOINT VENTURE FOR GOE AND EQUITY IN OR COMMISSION ON MARKETING COMPANY'S MIDDLE EAST SALES. LATTER IDEA, WILLIAMS SAID, WAS COUTINUALLY LINKED BY GOE OFFICIALS TO REMOVAL OF FORD FROM BOYCOTT LIST.

9. ON WHOLE, WILLIAMS SAID, FORD GROUP, SEEMDED PLEASED AT TENOR AND SUBSTANCE OF SUNDAY MEETING WITH KAISOONI AND ECONOMIC GROUP, ALTHOUGH DISAPPOINTED THAT AGREEMENT NOT SIGNED. FOR MOMENT, SHAHIN SEEMS TO THEM TO BE CONTAINED. FORD WILL PROCEED WITH DISPATCH OF TECHNICAL TEAM, AND COMPANY REPES CONTINUE HOPE THAT FINAL ACCORD CAN BE SIGNED DURING KAISOONI VISIT TO WASHINGTON. STORY OF FORD GROUP'S MEETING WITH PM AND EXPECTATION OF SIGNING OF AGREEMENT DURING KAISOONI'S US TRIP WAS CARRIED IN ALL CAIRO ARABIC PAPERS SEPTEMBER 11. EILTS

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